

TESTIMONY OF  
ROBERT W. BLANCHETTE  
ADMINISTRATOR OF THE FEDERAL RAILROAD ADMINISTRATION  
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OF THE COMMITTEE ON ENERGY AND COMMERCE  
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Mr. Chairman and Members of the Subcommittee:

The subject of this testimony is the commuter rail service now operated by Conrail. The Department is completing a process, mandated by last year's Staggers' Rail Act, for determining the future of Conrail. The precise answers to the commutation question must await the configuration of the Conrail freight system. This is a matter which will occupy the attention of all interested parties in the days and weeks ahead. Nevertheless, some general guidelines seem apparent at this juncture. They are as follows:

Neither Conrail nor any other possible railroad successor to its freight system should have entrepreneurial responsibility for commutation service. Freight operations in the Northeast can never be so profitable as to permit a cross-subsidy for commuters. In addition, a primarily freight-oriented railroad cannot be expected to devote the management attention needed in this area. The Department is in general accord with the testimony given before this Subcommittee in February by Mr. Crane, Chairman and Chief Executive Officer of Conrail. In sum, the Department is of the opinion that Conrail, or its freight successor in the Corridor, ought to be a contractor of last resort.

Secondly, and as a necessary corollary of the first guideline, local commuter authorities should be given the dominant voice in the organization and management of their service. Federal involvement should arise only if local arrangements would disrupt or be incompatible with the demands of intercity passenger and residual freight service in the Corridor.

These guidelines will be amplified in the following answers to the questions posed by Chairman Florio in his invitation for this hearing.

- (1) Should Conrail continue to operate commuter services in the Northeast?

Except as an operator of last resort, Conrail should not operate commuter services. Commuter operations distract management's attention from its principal task of operating a freight railroad. Uncertainties in the commuter agencies' funding sources subject Conrail to the risk that it may not be compensated for the services it provides. Political realities preclude Conrail from exercising its ultimate bill collection tool, that is, cessation of a commuter authority's services. Conrail itself is facing a period of severe demands on its management resources as Northeast freight restructuring, involving both Conrail and its competitors, unfolds. Conrail can ill afford to dilute its management resources by permitting commuter services, which are often non-compensatory, to demand its attention.

- (2) If Conrail should not continue to operate commuter services, what alternative arrangements are feasible?

There are several alternatives to Conrail's role as rail commuter operator:

- Each commuter rail authority could run its own service with its own employees.
- Each commuter rail authority could contract for its own service with a rail management firm.
- A multi-authority corporation could either run or contract for commuter services. This concept could be expanded to include the operation of Amtrak's Northeast Corridor inter-city service by such a corporation under contract to Amtrak.
- Amtrak could operate commuter service under contract to each commuter authority.

The first two alternatives, those envisioning an authority operating or contracting for service, would have the advantage of affording direct management responsibility to each individual operating authority. Such an arrangement would recognize that the different authorities in the Northeast have different and distinct operations and may have different perspectives on how the services should best be run and financed. The increased difficulty of coordinating overlapping schedules and operations of independent authorities would be a disadvantage of these options.

The New Jersey Department of Transportation's recent proposal supports the concept of a multi-authority corporation to operate the Northeast commuter services. If the commuter rail authorities can fund such a corporation and agree on the terms of its formation and of its operation, the Department could support it. Important questions to be worked out are the composition of the board of directors and the role of such a corporation in the operation of Amtrak intercity service in the Northeast Corridor.

The use of Amtrak as a commuter operator seems plausible at first glance. However, this concept has met with some resistance from local sources. If Amtrak becomes the principal commuter operator, there would be a serious risk that the Federal Government might end up supporting or subsidizing the commuter operations, an unacceptable result. If the books can be kept separate, and if Amtrak can demonstrate that it will bring good management resources to bear, this option should be pursued.

In considering alternatives, it is important to observe a recent action by the Massachusetts Bay Transportation Authority (MBTA) which is a precedent for commuter operators. The MBTA recently sought and received expressions of interest in the operation of its commuter rail system, which is now operated by the Boston and Maine Railroad. The MBTA experience indicates that there are potential alternatives to a freight railroad in the form of private contractors; these should be given serious consideration by the other commuter authorities in the months ahead.

- (3) What other changes in existing laws and institutional relationships are needed to improve commuter services?

If Conrail is not to provide commuter services, a transitional planning period should be established during which the commuter authorities could organize for the implementation of the new operating relationships. A difficult issue to be addressed in a transition would be the Conrail workforce currently involved in providing commuter services. This leads to the Subcommittee's fourth question.

- (4) It has been proposed that Conrail's workforce be separated between freight and passenger employees. What is your view of this proposal?

Conrail has already taken steps to separate the freight and passenger management activities. Establishment of a passenger unit could be the basis for improved responsiveness to the local commuter authorities' needs. The issue of separating Conrail's passenger and freight workforce is admittedly difficult. The potential benefits, however, of dealing with this issue are substantial. A principal advantage is the ability to deal with labor and productivity issues and the basis for pay in a "passenger only" context. In rail freight, the types of work rules that ought to be changed in order to improve productivity are quite different from those that are relevant on the passenger side. The separation of the

two work forces would seem to allow the commuter authorities to negotiate directly with the labor force on those issues that are relevant to passenger operations.

We are anxious to work with this committee to develop a framework in which the local commuter authorities can be assured of commuter services which satisfy their needs without placing the financial burden for those services on Conrail. I am confident that we can develop such a framework.

I should be pleased to answer any questions the committee members might have.